

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EB-11 TRSE-00 SCI-06 L-03 CIAE-00

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C O N F I D E N T I A L MOSCOW 14593

E. O. 11652: N/A

TAGS: EIND, ETRD, UR, US

SUBJ: INTERNATIONAL HARVESTER NEGOTIATIONS FOR EQUIPMENT FOR
BAIKAL-AMUR RAILROAD (BAM)

USDOC FOR BEWT/PIGGOTT

1. INTERNATIONAL HARVESTER REPS ADVISED COMMATT SEPTEMBER 27 THAT THEY HAD LEARNED FROM TSUKANOV OF FOREIGN TRADE MINISTRY THAT LARGE ORDER OF CRAWLER TRACTORS WHICH IH CURRENTLY NEGOTIATING WITH TRAKTOROEXPORT WAS FOR BAIKAL-AMUR RAILROAD (DAM) CONSTRUCTION. INTERESTINGLY, TRAKTOROEXPORT OFFICIALS WITH WHOM IH REPS MEETING STEADFASTLY MAINTAINED THAT THEY WERE UNAWARE WHERE TRACTORS WOULD BE USED. NEGOTIATIONS ON ORDER, WHICH WOULD AMOUNT TO ABOUT DOLS 100 MILLION, HAVE BEEN TEMPORARILY SUSPENDED UNTIL DEPUTY MINISTER OF FOREIGN TRADE N.D. KOMAROV RETURNS FROM HOLIDAY ON/ABOUT OCTOBER 10. KOMAROV INITIATED DISCUSSIONS WITH IH DURING HIS AUGUST VISIT TO U.S., AND HIS PERSONAL PARTICIPATION APPARENTLY NECESSARY BEFORE DEAL CAN BE CLOSED BECAUSE REQUIREMENT FOR BURYING AS MUCH AS EIGHT PERCENT OF INTEREST RATE IN PRICE HAS PUSHED COST ABOVE WHAT TRAKTOREEXPORT FEELS IT AUTHORIZED TO PAY.

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2. NEXT STEP IN DEVELOPMENT OF IH'S RELATIONSHIP WITH USSR

WITH BE VISIT OF TOP-LEVEL COMPANY DELEGATION HEADED BY EXECUTIVE VICE PRESIDENT VOSS OCTOBER 20-27 FOR DISCUSSIONS OF "SCIENTIFIC-TECHNICAL COOPERATION AGREEMENT." SOVIET ENTHUSIASM FOR CONCLUDING SUCH AN AGREEMENT WITH IH INDICATED BY FACT THAT SOVIET SIDE HAS OFFERED PAY COSTS OF VISIT, AN OFFER WHICH IS OF MARGINAL SIGNIFICANCE FOR IH. VOSS SCHEDULED VISIT KAMAZ, VAZ AND ZIL PLANTS IN ADDITION TO TALKS IN MOSCOW.

3. COMMENT: ASSUMING THAT TRACTOR DEAL DISCUSSED IN PARA ONE ABOVE GOES THROUGH, THIS WILL BE FIRST TRANSACTION WHICH HAS COME TO EMBASSY'S ATTENTION INVOLVING U.S. EQUIPMENT FOR BAM PROJECT. GIVEN EXTENT OF WORK WHICH SOVIETS PLAN UNDERTAKE ON BAM PROJECT, ADDITIONAL SALES OF U.S. EQUIPMENT WOULD APPEAR LIKELY. IH HAS ALSO MADE ITS FIRST SALES OF TRUCKS (26 OF ITS LARGEST UNITS EQUIPPED WITH CEMENT MIXERS) IN CONNECTION WITH SALE OF CANAL LINING EQUIPMENT SOLD BY HANSEN COMPANY (SPOKANE). ADDITIONAL SALES OF THIS TYPE OF EQUIPEMENT ALSO ARE LIKELY.

DUBS

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